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REPORT TO THE BERTIE COUNTY BOARD OF COMMISSIONERS

RURAL INDUSTRIALIZATION IMPLICATIONS

POTENTIAL BENEFITS

Employment

Income

Population Change

RURAL INDUSTRIALIZATION IMPLICATIONS

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RURAL INDUSTRIALIZATION IMPLICATIONS

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PART ONE

INTRODUCTION

INTRODUCTION

> *"Between 1960 and 1970 manufacturing employment in non-metropolitan areas grew by twenty-two (22) percent while manufacturing jobs in metropolitan areas grew only four (4) percent." (Small Town, 1976)*

Over the past two decades the South has experienced accelerated industrial growth. In some rural areas industrialization has helped reduce unemployment, slow population loss and in some instances even reverse population losses. High unemployment and population loss are shared problems in Rural America.

Why has industrial growth increased in the South? From an industrial perspective, there are several reasons for this emerging trend. Typically, the South has lower local taxes, cheaper land and water costs and a good supply of laborers. Secondly, industrial growth is viewed as a solution to many problems confronting impoverished rural areas. High unemployment, population loss and rising property taxes are examples of problems many rural areas face which rural industrialization is helping to solve. What are the implications of rural industrialization in Bertie County?

Background

The population of Bertie County has steadily declined over the past forty (40) years. During the 1960 decade alone, the population of Bertie County declined 15.6% from a total of 24,350 in 1960 to 20,528 in 1970. This decline can be attributed to a national trend of migration from rural areas to urban areas and a change in the agricultural practices which reduced the labor demand for agricultural workers. (A trend of smaller family size, etc.)

Economic development was recognized as a possible solution to many of the county's problems. In 1966 the Bertie Industrial Commission was formed. The Industrial Commission has taken several steps toward bringing industrial development to Bertie County. Their most recent achievement was recruiting Perdue, Incorporated to locate plant operations in the Woodville-Lewiston area in 1975.

Economic development is felt to be the most severe problem facing Bertie today. In an effort to more objectively define economic development desires, the County Commissioners, Planning Board and citizens formulated the following "economic development goals" (see Bertie County CAMA Land Development Plan adopted 1975, pages 40-41):

a. To maintain or increase the present County efforts to recruit industry.

b. To upgrade the skills of the unemployed to enable them to qualify for available jobs.

c. To assemble information on loans, grants, market analysis, etc.

d. To upgrade the skills of the unemployed to enable them to qualify for available jobs.

These objectives compliment the county's Economic Development Program.

Purpose

The purpose of this report is to identify implications of industrial development on overall county growth as compared with similar areas where there has been a documented impact on the local economy by plant locations.

Methodology and Scope

An industrial cost-benefit analysis will require detailed data such as the percent of jobs filled by previously unemployed, local unemployment before and after plant location, etc. on the local level. Some information is available on the county level. However, county data would not accurately depict the

impact of industrial development in/on the Woodville-Lewiston area. For example, geographical mobility of employees (from across township and county lines) makes it difficult to determine the actual industrial impact on the immediate area. Moreover, the impact of Perdue Incorporated on the Woodville-Lewiston area poses even a greater limitation. That is, Perdue, Inc. located in Bertie County in 1975. Hence, it is impossible to cite any reliable and meaningful trends as a result of industrial development in that area based on one year even if relevant data was available.

Unfortunately, there has been little specific research which systematically identifies the benefits and costs of rural industrialization. The latest research in this area was done by Summers in 1976. Statistics sited in this report are based upon the materials in the Summers study, Industrial Invasion of Non-Metropolitan America.

This report is divided into five major parts. Part One, the Introduction, is designed to provide the reader with a clear statement of purpose, and a general background of Bertie County as relevant to the stated study purpose. It also contains empirical generalizations associated with rural industrialization. Part Two discusses overall major benefits of industrial activity. These benefits are discussed in reference to the following factors: employment, income and population. Parts Three and Four discuss public sector benefits and public sector costs, respectively, as a result of industrialization. The Fifth and final part contains policy implications.

Empirical Generalizations

In 1974 a group of social scientists led by Professor Summers of the University of Wisconsin-Madison reviewed and analyzed 186 planning studies on industrial

development and/or economic development. These studies were predominantly from rural areas and small communities in the South and Midwest. The following are empirical generalizations on the impact of industrializations based on their findings.

EMPIRICAL GENERALIZATIONS

"1. In a clear majority of plant locations, the host community experiences population growth.

2. The population growth effect of a new plant is concentrated in villages and towns nearest the plant site.

3. The rate of population growth clearly is a function of the size of the industrial firm.

4. The initial source of population growth is likely to be increased inmigration coupled with unchanged or decreased outmigration.

5. The majority (2/3 to 3/4) of inmigrants move no farther than 50 miles. Those who move farther are probably managers and technical personnel.

6. The proportion of the host county's population living in places of 2,500 or more is increased by industrial development, with some growth also in hamlets and the open country.

7. Nonmetropolitan industrial workers, as a group, are residentially more mobile than rural dwellers generally.

8. Nonmetropolitan workers often commute long distances for a period of time after employment, but in the long run they move closer to their place of work, or change jobs.

9. The labor sheds of nonmetropolitan industrial plants often are larger than those in metropolitan areas, their size depending on many factors including size of towns near the plant, local highway system, wage differentials between the plant and other employers, and personal attributes of the workers.

10. Employers prefer younger workers although in some instances, skill gained through experience may be competitive with youth.

11. Preferences for male versus female employees are related to the type of industry, with males predominating in the heavy manufacturing industries and females being favored in the light industries such as apparel, textile, and appliance assembly plants. The latter are low-skilled, low-wage industries.

12. There is considerable evidence that nonwhites are underrepresented in the work forces of nonmetropolitan industrial plants. Where they are hired they are concentrated in unskilled and semiskilled jobs. This situation may indicate outright discriminatory hiring practices, or insufficient skill level among local nonwhites, or both.

13. Nonmetropolitan industrial workers have larger households than the local area residents generally. This appears to be a function of their age relative to the local population; more are in the child bearing and child rearing stages of the family cycle.

14. There is virtually no evidence that industrial development increases the level of educational attainment in the host community. Where it does occur the evidence suggests it is due to changes in the age structure, younger adults generally having completed more years of schooling.

15. New jobs often do not go to the local unemployed, underemployed, minorities, and marginally employable persons likely to be near or below the poverty level.

16. High-skill high-wage industries, which are most likely to increase the aggregate income and raise the percentage of families above the poverty level, are least likely to hire local disadvantaged. The apparent gains in aggregate income and unemployment rate often hide the failure to aid the local disadvantaged.

17. Low-skill, low-wage industries are more likely to employ the disadvantaged.

18. Most female workers expect to draw unemployment if laid off and retire from the labor market if no work can be found locally. Moving the household to secure the wife's employment is not regarded by most female workers as a viable alternative.

19. Most male workers expect to seek other industrial work if laid off. Few would consider returning to farm work. Moving to another community to secure employment is an undesirable, but viable alternative.

20. Worker dissatisfactions with wage work in industry are offset by higher standards of living, job security, shorter hours, easier work, and greater chances of advancement.

21. Industrial firms often are offered inducements by the local community to encourage their choice of the community as a plant site.

22. Increase in the fiscal resource base of the local community often is outweighed by increased costs of providing services to the new industry and the community.

23. Net fiscal gains to the local government do occur. This usually is when no local subsidy was offered the industry, or the plant work force is hired locally, or large proportions of the plant work force live outside the community and commute to work.

24. Where new industry is accompanied by population growth it often strains existing basic service delivery systems.

25. Anticipated benefits to the local community generally exceed perceived benefits after development. Even so, the percentage of local citizens perceiving benefits outweighs those expressing negative opinions.

26. Those not perceiving personal benefits are heavily concentrated among the old, the ethnic and racial minorities, the unemployed, and farmers.

27. Having experienced industrial development, a majority of the local citizens want more.

28. Many local residents express positive feelings about one or another aspect of industrial invasion; for example, population growth, inmigrants, economic diversification, improved local shopping, and opportunity for off-farm work. While there are contrary feelings expressed, the scale weighs heavier in favor of optimism and satisfaction.

29. Inmigrants express more dissatisfaction with the local community services than long-term residents, particularly when the inmigrants are of higher skill and income levels than the host community residents.

30. Participation rates of industrial workers in voluntary organizations (churches, civic clubs, recreational) are similar to other community residents.

31. There is some evidence that choices of types of organizations in which to be involved differ between newcomers and long-term residents. The inmigrants show a propensity to favor business, professional, and labor organizations which appears to reflect their educational and occupational characteristics."[1]

The above generalizations should not be viewed as generalizations specifically characteristic of industrialization in Bertie County. On the other hand, they should be viewed for their future industrial policy implication.

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[1] Gene F. Summers et al. Industrial Invasion of Nonmetropolitan America: A Quarter Century of Experience (New York: Praeyer Publishers, 1976), pp. 2-4.

PART TWO

OVERALL MAJOR POTENTIAL BENEFITS OF INDUSTRIAL ACTIVITY

OVERALL MAJOR POTENTIAL BENEFITS OF INDUSTRIAL ACTIVITY

Several factors in the community are expected to be affected as a result of industrial growth; employment, income, and population. Changes in these factors should be expected regardless of industry's size and diversification.

Employment

Industrial activity can affect a community's employment two ways: (1) direct employment and (2) indirect employment (commonly referred to as the multiplier affect).

Direct Employment

Bertie County can expect an increase in employment as a result of industrial growth. As Summers' study states "there is no question that industry brings new jobs to a community." Usually, industrialization will increase the quantity of employment in the community. The most noteworthy finding of rural industrialization concerns who gets the new jobs. "The assumption underlying a great deal of current promotion efforts and policy-making has been that the workers will be recruited largely from the ranks of the local disadvantaged residents -- the unemployed, the poor, racial minorities, etc., thereby helping to alleviate some of the economic distress in rural areas."[2] Summers reported that new factories generally did not hire a great percentage of the local unemployed.

Table 1 summarizes the findings reported on the hiring of previously unemployed workers.

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[2] Ibid., p. 47.

TABLE 1 PERCENTAGE OF NEW PLANT WORKERS PREVIOUSLY UNEMPLOYED

Study Area	Industry	Number of Jobs	Percent of Jobs Filled By Previously Unemployed
Linton, Ind.[a]	aluminum chairs	100	25.0
Wynne, Ark.[b]	apparel; copper tubing	1,900	11.2
Rochester, Minn.[c]	business machines	1,862	14.0
Ravenswood, W. Va.[d]	aluminum	894	11.0
Eastern Oklahoma Community[e]	12 plants (mixed)	554	7.7
Area Redevelopment Administration Area Survey[f]	33 plants (mixed)	1,262	43.0
Mt. Airy, N.C.[f]	appliances	435	8.0
Jefferson, Iowa[g]	stamping, athletic equipment	369	3.0
Orange City, Iowa[g]	10 plants (mixed)	364	19.0
Creston, Iowa[g]	appliances, chemicals oil filters	424	1.0
Grinnell, Iowa[g]	farm machinery, stadium bleachers, plastics	200	7.0
Decorah, Iowa[g]	screws	212	8.0
Star City, Ark.[h]	apparel (shirts)	336	9.5

Sources: Wadsworth and Conrad (1966)[a]; Brady (1974)[b]; Morris (1960)[c]; Somers (1958)[d]; Shaffer (1972)[e]; Miernyk (1971)[f]; Paden et al. (1972)[g]; Arkansas Department of Labor (1958)[h].

Multiplier Effect

Direct hiring is one of the major potential employment benefits of industrial growth. On the other hand, a community can expect indirect hiring. That is, new industry is expected to generate secondary jobs in other sectors of the local economy. For example, retail and wholesale trade and service industries, as a result of the expenditures of the firms and their employees, can be expected. This indirect effect on employment is called a 'multiplier'. A multiplier of 1.0 means the industry brings no new jobs except those by direct hiring. A multiplier of 1.65 means that for every new job in the factory, another .65 job is created within the community. The multiplier concept stress one essential idea. That is, some activities in the community are "basic" in that their growth leads and determines the county's overall development; while other "nonbasic" activities are simply consequences of the county's overall development. Hence, 1.0 is considered "basic" and .65 is considered "nonbasic."

The most significant aspect of Summers' study is the number of very low multipliers. The majority of industries in the rural community had a multiplier effect of less than 1.2. The following are the reasons given for these low multipliers:

1. The less diversified the existing manufacturing, commercial and service industries are, the less impact the new industry will have on local economy.

2. Commuters, who generally make up a substantial part of the rural factory work force, often spend their salary in their place of residence rather than their place of work. Much of the factory income leaks out of the host community.

3. Many small towns already have excess utilized business capacity. As a result, the firm can handle industry-induced increases in sales without hiring additional workers or enlarging their capital stock.

4. Many industries are linked by a national network to outside suppliers and processors and have no need to draw upon local services or products.

Table 2 summarizes the findings reported on employment multipliers.

Income

Since the best single measure of a community's economic well being is the per capital personal income, the most expected benefit of rural industrialization is increased income opportunities for local residents. However, the most frequently reported type of economic measures are per capita and median family income. These measures are compared in Tables 3 and 4 from Summers' study. A statistical analysis of these tables support that industrialization of rural areas does bring an increase in average income over a period of time. Table 3 shows that the increases in per capita income range from 5.3 percent to 183.0 percent; Table 4 shows increases in median family income of 25.6 percent to 178.4 percent. Both income measures show an increase of less than 50 percent. This relatively small increase in per capital and median income is explained as follows:

1. Many of the largest percentage increases are found in those locations with the lowest per capita or median family incomes.

2. Small income increases were often associated with low wage industries.

3. Industries which import raw materials into the area and export products to outside areas tend to create smaller income effects.

4. The existence of a substantial amount of commuting reduces the size of income growth generated by a new industrial plant.

Research indicates that industrial growth does stimulate the average income of rural communities. Thus, attention is gradually being focused on who

TABLE 2

EMPLOYMENT MULTIPLIERS

Study Site	Unit of Analysis	Research Time Period	Industrial Product	Direct Employment	Employment Multiplier
Linton, Ind.[a]	city	1964	aluminum chairs	119	1.02
Gassville, Ark.[b]	8-county area	1960-63	shirts	750	1.11
Summerville, S.C.[c]	4-county area	1963	bricks	25	1.36
Pickens, Miss.[d]	4-county area	1964-65	tissue paper	57	1.14
Braxton, Co., W. Va.[e]	county	1963	particle board	77	1.50
Hart Co., Ky.[f]	county	1963	bedding	111	1.06
Fleming Co., Ky.[g]	county	1958-63	auto and appliance trim, shoes	328	1.11
Laurel Co., Ky.[g]	county	1958-63	yarn	107	1.18
Lincoln Co., Ky.[g]	county	1958-63	apparel	380	1.00
Marion Co., Ky.[g]	county	1958-63	barrels, communications equipment, apparel	496	1.11
Russell Co., Ky.[g]	county	1958-63	apparel	206	1.03
Howard Co., Ind.[h]	county	1949-60	all manufacturing	4,006	1.44
Box Elder Co., Utah[i]	county	1955-61	chemicals	5,688	1.34
Lawrence Co., Tenn.[j]	county	1954-63	bicycles	2,270	1.36
Select U.S. counties[k]	11 counties	1950-60	all manufacturing	17,116	1.65
Select U.S. counties[l]	10 counties	1960-70	all manufacturing	25,677	1.68
Leflore Co., Miss.[m]	county	1959-64	all manufacturing	1,430	1.59
White Co., Ark.[n]	county	1951-59	all manufacturing	590	1.71

Sources: Wadsworth and Conrad (1965)[a]; Jordan (1957)[b]; McElveen (1970)[c]; Crecink (1970)[d]; Hoover (n.d.a)[e]; Hoover (n.d.a)[f]; Garrison (1967)[g]; Stevens and Wallace (1964)[h]; McArthur and Coppedge (1969)[i]; Wilson (1965)[j]; Chamber of Commerce (1968)[k]; Chamber of Commerce (1973)[l]; Pittman (1965)[m]; David (1963)[n].

TABLE 3 PER CAPITA INCOME BEFORE AND AFTER INDUSTRIAL DEVELOPMENT

Study Area	Number of Employees	Product	Dates		Per Capita Income		Percent Increase
			Before	After	Before	After	
Braxton, Co., W.Va.[a]	77	particle board	1958	1963	$1,398	$1,472	5.3
Flathead Co., Mont.[b]	686	aluminum	1951	1956	1,504	1,614	7.3
Charlotte Co., Va.[c]	484	woolen goods	1949	1954	654	755	15.4
Baxter Co., Ark.[d]	1,018	chemicals	1964	1969	1,930	2,396	20.2
Ozark area, Ark.[e]	750	apparel	1960	1963	989	1,243	25.7
Howard Co., Ind.[f]	4,006	printing, publishing, and other nondurable goods; primary metals; machinery and equipment	1944	1959	1,309	1,671	27.7
Laurel Co., Ky.[g]	107	yarn	1958	1963	858	1,109	29.2
Randolph Co., Ark.[d]	1,072	electrical equipment, wood, leather	1964	1969	1,423	1,869	31.2
Keith Co., Neb.[h]	1,000	capacitors	1954	1968	1,858	2,603	34.7
Dawson Co., Neb.[h]	600	shock absorbers	1961	1968	1,623	2,252	38.8
Fleming Co., Ky.[g]	228	auto trim, shoes	1958	1963	995	1,404	41.1
Choctaw Co., Okla.[i]	200	apparel, furniture, chemicals	1950	1958	470	674	43.4
Marion Co., Ky.[g]	496	barrels, electrical equipment, apparel	1958	1963	901	1,309	45.3
Lawrence Co., Tenn.[j]	2,000	bicycles	1955	1960	834	1,213	45.4
Russell Co., Ky.[g]	206	apparel	1958	1963	596	891	49.5
Putnam Co., Ill.[k]	1,039	steel	1965	1972	1,941	2,926	50.8
Lincoln Co., Ky.[g]	380	apparel	1958	1963	825	1,273	54.3
Sargent Co., N.D.[h]	400	machinery	1954	1968	1,050	1,698	61.7
Custer Co., Neb.[h]	360	medical supplies	1961	1968	1,523	2,053	64.4
Hot Springs Co., Ark.[d]	2,175	metal, SC&G, wood	1958	1969	1,489	2,581	73.3
Rolette Co., N.Dak.[g]	160	watch bearings	1953	1968	800	1,391	73.9
White Co., Ark.[l]	590	leather, wood, rubber and plastic, SC&G, metal, machinery	1949	1959	611	1,070	75.1
Muskogee Co., Okla.[m]	200	furniture, air conditioning, metal	1960	1970	1,716	2,100	81.7
Logan Co., Ark.[d]	690	chemicals, SC&G, transportation equipment, apparel	1958	1969	909	1,743	91.7

TABLE 3 (Cont'd.) PER CAPITA INCOME BEFORE AND AFTER INDUSTRIAL DEVELOPMENT

Study Area	Number of Employees	Product	Dates		Per Capita Income		Percent Increase
			Before	After	Before	After	
Adair Co., Okla.[m]	80	communication components	1960	1970	$ 739	$1,432	93.8
Howard Co., Ark.[d]	781	paper, apparel, metal, SC&G, wood	1960	1969	1,373	2,825	105.8
White Co., Ark.[d]	1,263	machinery, metal, electrical equipment, rubber and plastic, SC&G	1955	1969	890	2,233	150.9
Benton Co., Ark.[d]	1,827	machinery, textiles, metal	1954	1969	938	2,663	183.9

Note: SC&G is stone, clay, and glass.

Sources: Hoover (n.d.a)[a]; Johnson (1960)[b]; Bureau of Population and Economic Research, University of Virginia (1956)[c]; Yantis (1972)[d]; Jordan (1967)[e]; Stevens and Wallace (1964)[f]; Garrison (1967)[g]; Dietz (1971)[h]; Klein (1959)[i]; Wilson (1965)[j]; Summers (unpublished data)[k]; Davis (1963)[l]; Shaffer (1974)[m].

TABLE 4 MEDIAN FAMILY INCOME BEFORE AND AFTER INDUSTRIAL DEVELOPMENT

Study Area	Number of Employees	Product	Dates		Median Income		Percent Increase
			Before	After	Before	After	
Putnam Co., area, Ill.[a]	1,039	steel	1965	1970	$6,204	$7,790	25.6
Muskogee Co., Okla.[b]	200	furniture, air conditioning, metal	1960	1970	4,505	5,669	25.8
Cherokee Co., Okla.[b]	10	upholstery and carpet	1960	1970	3,044	4,435	46.0
Howard Co., Ind.[c]	4,006	printing, publishing and other nondurable goods, primary metals, machinery and equipment	1949	1959	3,175	4,901	54.5
Adair Co., Okla.[b]	80	communication components	1960	1970	2,198	3,640	65.6
Hot Springs Co., Ark.[d]	2,175	metal, SC&G, wood	1959	1969	3,492	4,535	66.5
Malvern Co., Ark.[d]	2,175	- -	--	--	3,799	4,227	42.6
Baxter Co., Ark.[d]	1,018	chemicals	--	--	2,468	3,466	80.0
White Co., Ark.[d]	1,263	machinery, metal, electrical equipment, rubber and plastic, SC&G	--	--	2,312	3,167	81.1
Searcy, Ark.[d]	1,263	- -	--	--	2,937	3,076	34.3
Douglas Co., Mo.[e]	403	athletic equipment, wood	1949	1959	1,084	2,050	89.0
Randolph Co., Ark.[d]	1,072	electrical equipment, wood, leather	1959	1969	2,112	3,162	92.0
Pocahontas, Ark.[d]	1,072	- -	--	--	2,905	3,216	41.9
Howard Co., Ark.[d]	781	paper, apparel, metal SC&G, wood	1959	1969	2,670	4,057	94.8
Nashville, Ark.[d]	781	- -	--	--	2,869	3,598	60.8
Benton Co., Ark.[d]	1,827	machinery, textiles, metals	1959	1969	2,661	4,185	101.6
Rogers, Ark.[d]	1,827	- -	--	--	3,569	4,736	70.6
Logan Co., Ark.[d]	690	chemicals, transportation equipment, apparel, SC&G	1959	1969	1,847	3,214	123.1
Paris, Ark.[d]	690	- -	--	--	2,578	3,185	58.4
Lawrence Co., Tenn.[f]	2,000	bicycles	1949	1959	1,245	3,178	155.0

Note: SC&G is stone, clay and glass; dashes indicate data not provided.

Sources: Summers and Clemente (1973)[a]; Shaffer (1974)[b]; Stevens and Wallace (1964)[c]; Yantis (1972)[d]; Hagerman and Braschler (1966)[e]; Wilson (1965)[f].

benefits. Summers believes that certain sectors of the population receive no benefits from industrial development. Indeed, for groups such as the elderly and blacks, industrialization often has negative effects. As the community's standard of living rises, prices go up and the purchasing power of these disadvantaged groups decreases.[3]

Population Change

Population change over recent decades have not been positive in a relative sense. The 1970 Census of Population confirmed a continuing outmigration from rural areas to urban areas. Many rural communities faced with continued population decreases look to industrial development as a means of slowing population loss. All case studies dealing with industry's impact on rural population showed that the rate of population decline had been slowed, halted, or - as in the majority of cases - reversed after industry's arrival. In addition, the studies made it clear that most population growth was based on an increased migration of workers into the area (Summers et al, 1976).

Other key findings on industry's impact on the rural population are as follows:

1. Population growth, as a result of industrial growth, is found to be centered in the host community rather than being spread throughout the country.

2. Industry aids in an inward redistribution of the local rural population rather than migration of people into the area from other urban areas.

3. Industry fails to halt the flow of young people migrating out of rural areas.

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[3] Ibid., pp. 47-70.

In light of the above findings, one can assume that (1) it is possible that industrialization can urbanize or suburbanize a county's population without causing any overall increase in total county population and (2) industrial development does not necessarily eliminate the need for young people to leave home.

PART THREE

BENEFITS TO THE PUBLIC SECTOR

BENEFITS TO THE PUBLIC SECTOR

By improving incomes, stabilizing or increasing population and expanding the value of business properties, communities seek industrialization as a means to enlarge their revenue base. Benefits made to the local economy by new industry may come in the form of real and personal property tax payments, gross receipt payments, and fees for services changes. The following is an assessment based on previous studies of industrial benefits to the public sector.

Direct Payments

Property Tax

The local and state tax structure is the determinant factor influencing the extent benefits are realized as direct payments by new industry. To this extent, payments will vary from community to community subject to negotiated agreements between local officials, developers, and industrial management. Today, virtually all states provide some kind of incensive or low assessment practice for industrial location.* Case studies show that local government will grant "tax holdings" exempting industrial property from taxation. These holdings usually range from 5, 10, or 15 years. "Tax concessions are forms of local subsidization of industrial development and, therefore, are a cost to the local government."[4]

*Note: However, this practice is illegal in North Carolina.

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[4] Ibid., p. 77.

Fees and Service Charges

In most cases communities with municipally owned utilities (water, sewer, electricity, etc.) receive payments from industry for those services rendered. For example, in 1974 Company X made payment of $134,220.95 to a small town in South Dakota. The researcher notes that the cost to the local government was exactly the same (Uhrich, 1974). Summers et al evidence suggests that in many communities costs are, in fact, all that is recovered from fees and there are no net gains from utility payments.

Indirect Payments

"Indirect payments by industry to the public sector are more diverse and are based on industry's ability to boost local average income and subsequently increase the value - and tax assessments - of local properties and businesses."[5]

The host community's economy is boosted when industry's employees spend their salaries or portions of it in the host community. Several factors may affect an employee's decision and shopping selection. First, commuting patterns. An employee may prefer to shop in his home town if he commutes 50 miles to work. Secondly, if the local economy does not offer choice and selection, he may prefer shopping at a regional shopping center which could average from 50 - 100 miles away.

Case studies suggest that increases in local public revenues result from industrial development only when growth in the private sector is converted into

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5 Gene Summers and Jean M. Lang, "Bringing Jobs to People: Does It Pay," Small Town, vol. 7, No. 3. (September, 1976), p. 8.

public monies. "These monies include increased property taxes from the expansion or construction of new homes and businesses, increased retail sales and sales tax, increased utility fees and an increase in the transfer of state and federal revenues to the local community."[6]

Residential and commercial property tax, retail sales, fees for services, and intergovernmental transfer of payments are components in the local economy structure which should capture the benefits of industrial growth. The following is an assessment of each component and its potential benefit to the public sector.

Residential and Commercial Property Tax

Residential and commercial property tax should increase indirectly as a result of new home construction and other home improvements. This action is predicated if that new industry increases the local economic base. All cases studied showed that industrial development did bring increases in assessed valuation of property and subsequent increases in property tax revenues.

Retail Sales

Retail sales are expected to increase substantially as a result of new industry.

Fees for Service

As a result of new construction, the host community should expect increased revenues from fees, licenses, building permits, and possible rental revenue from publicly owned land.

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6 Ibid., pp. 8-9

Intergovernmental Transfer of Payments

As a result of industrial development, personal income and industrial output will increase. Increased income (both direct and indirect) generates state and federal income taxes. Through our local, state and federal system some of the taxes find their way back to the host community, e.g., federal revenue sharing, income tax returns, etc. As a result of our "intergovernmental transfer payment system" income resulting from new industry flows to different sectors simultaneously. Thus, industrial activity will have a positive benefits impact on the various sectors of the host community's economy.

PART FOUR

COST TO THE PUBLIC SECTOR

COST TO THE PUBLIC SECTOR

The preceding discussion has centered on the revenue benefits to the public sector which may be attributed to new industry. All evidence indicates that industrial growth does increase local revenue. In summary, these benefits are seen in the expansion of property tax, increased retail sales, and increased intergovernmental transfer payments from sales tax receipts.

Attracting Industry

While industrial growth may generate many benefits, the benefits cannot occur without cost. A community begins incurring costs at the moment it begins to attract new industry. These costs may be termed "attracting costs." The most frequently incurred costs involve land acquisition and site preparation which usually includes extension and improvement of access roads and utility connections (including water and sewerage connections). Other incurred costs include advertising expenses and loss of previously collectable property taxes in instances where new industry is given a reduced tax rate in states where this practice is legal.

Expanding Services

Industrialization in a rural community will increase various services rendered by the local government such as police and fire protection, access road maintenance and utility services. Evidence from other communities suggest that payments for services rendered by the local government are not always equal to the cost of provision. This becomes another form of local subsidization of industry and must be regarded as costs to the local community.

Environmental Degradation

There are costs of industrialization that are likely to be uncompensated. Those involving the environment appear to be the most significant. New industry can increase congestion and traffic especially in communities where adequate traffic and circulation plans have not been made. It may increase noise, air and water pollution. However, the magnitude of environmental effects will depend on the kind and size of industrial facility, and the production processes.

Accommodating Growth

The provision of adequate facilities and services to meet future growth must be provided by the host community. Industry's impact on population changes have previously been noted. The host community's service network must be able to accommodate the projected industrial growth benefits. For example, case studies provide consistent evidence that new industry increases the school-age population. This impact is felt through increased school operating budgets, and in some instances, capital improvements to accommodate new students.

In summary, industrial growth will cost. Communities should be aware of the demand placed on various community facilities and should maintain an up-date inventory of the factors which generate these needs. It is imperative that specific functional plans such as capital improvement plans and capital improvements budgets be prepared in order that the adequate provision of services may be provided.

Net Gains

Parts II, III, and IV have discussed overall major expected benefits, benefits to the public sector both direct and indirect, and cost constraints to the Public Sector as a result of rural industrial expansion. Positive and negative aspects of industrial growth were explored. The question now is whether or not industrial growth pays? What are the net gains resulting from industrial growth?

Although communities will have common social and economic problems, each will require a different approach. The bulk of information presented in this study was obtained from a series of case studies. Thus, we can only point to the experiences of other communities in their quest for industrial development.

In summary, recent studies provide clear evidence that in spite of the sizeable contributions of new industry to the public sector the net gain was relatively small and in several communities was actually negative. However, industrial location in rural communities can bring employment, population growth and economic prosperity to the area but these benefits do not come automatic nor do they apply in all cases.

PART FIVE

POLICY IMPLICATIONS

POLICY IMPLICATIONS

Local government will play a crucial role in the "decision making process" to attract or not attract industry. Thus, in making its decision local government must weigh the assets and liabilities and be responsible for the results of their action. Alternatives must be formulated and evaluated, and in all instances, local government must be given the necessary technical services needed to formulate effective industrial and economic strategy. Realizing that many crucial decisions will be made local government seeks to formulate the most cost-effective industrial and economic policy.

The preceeding sections have summarized both positive and negative aspects of rural industrialization. It is noted that individual community experiences and needs, and the degree of success in industrialization has varied. Yet, communities throughout rural America have benefitted from industrialization. Conditions and problems in Bertie County are similar in many respects to conditions and problems in other rural American communities. The experiences of other rural communities resulting from industrialization should be of great benefit to local decision makers. Therefore, the following are not intended to be policy statements, but rather statements which stimulate ideas relevant to existing and future industrial and economic policy.

1. As of 1970 in Bertie County 51.6% of the total population 25 years and over had completed high school while 19% had no school years completed. The non-white population school enrollment declined with the overall county's total school enrollment. (See CAMA Plan, pp. 12-19). This suggest that a portion of the county's population could be termed "low-skilled". Recognizing that a large "low-skilled" population exist, low-skill and low-wage industries should be encouraged to locate in areas with a surplus of low-skill labor. This would constitute the first stage of industrial development. Where there exist a "highly skilled" population, "high skilled industry" should be recruited. Overall, ultimate development would be high skilled industrial development.

2. Communities that show some self-generating growth potential (diversification) should receive priority in new plant location.

3. In order to ensure that all residents are given employment benefits generated through rural industrial development, training programs to upgrade the skills of the local population should be established. Local Technical and Community Schools could be utilized in this effort. (For example, such programs would compliment a community involved in the first stage of industrial development as discussed in #1.)

4. Strain in the local service network may be minimized by attracting a plant of suitable size. That is, either one that makes few demands on existing facilities such as medical, policy, water, sewer and fire services or one which is large enough to provide these for itself.

5. The pattern of population growth and residential location associated with industrial development in rural areas is certain to exacerbate the taxation of agricultural land and further weaken the economic viability of farm enterprises. Efforts should be made to establish a specific agricultural land use policy which safeguards the future of agricultural land. (The Bertie County CAMA Land Use Plan is an excellent document which lends itself to such policies.)

6. Capital improvements such as water and sewer, etc. should be used as a local incentive and local steering mechanism to guide growth in desired areas and to ensure that development is consistent with the county's Land Development Plan.

7. Location decisions regarding land are no longer based solely on the simple consideration of land for a plant site. A review of recent literature suggest that industries are purchasing large acreage in anticipation of later expansions to meet the needs of environmental controls. They are also much more concerned with the broader aspects of land management and the implications of such management on the host community in which their employees live and work.

   Regulatory devices such as zoning and more specifically subdivision regulations deal with the details of how development will take place; they give little direction to the question of where development may occur. Therefore, administrative procedures should be adopted to insure that land suitable for future industrial development is classified and protected. This could be done by identifying potential industrial sites within the land classification system identified in the Bertie County Land Development Plan.

8. Development of a comprehensive labor market information system may help match labor supply and labor demand. This system should contain information on the characteristics of available jobs (e.g., wage rates and education and experience requirements) and workers

(e.g., education, work history and desired wages) for various areas in the county in order to assist in matching workers and jobs.

9. Information is needed on all aspects of the county's energy situation to establish an extensive energy management system. Past literature along with both private and public actions have suggested that such a system may be necessary if the energy situation should worsen. Experiences encountered during the Winter of 1977 have demonstrated that energy conservation is no longer an "if conditions worsen" proposition. The need for energy conservation as part of a comprehensive county, regional, state and national system is real. Such a system would include information concerning the total energy conservation potential of all firms and their abilities to maintain production and employment under varying degrees of energy shortfalls. Such data is necessary for the development and impact determination of various priorities.

10. Economic development growth is both a private and public concern. Economic growth strategies should reflect "public-private" cooperation. For example, firms locating in rural areas should be encouraged to participate in government minority training programs especially where a high unemployed minority population exist. Directly, such action would reduce local unemployment and underemployment, and indirectly, add more taxable income to the area and possibly reduce the number of local welfare recipients. Lastly, residents should take advantage of all opportunities afforded them, e.g., local educational programs, citizen participation programs, etc.

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